

## Region II

### REGIONAL HIGHLIGHTS AND TRENDS

June 30, 1999

#### Lending

- Loans outstanding increased by 4.6 percent during the first six months of 1999, achieving an annualized growth rate of 9.1 percent. Nationally, loans grew by an annualized 7.5 percent.
- Fixed-rate first mortgage loans grew by an astounding annualized rate of 53 percent during the first six months of 1999; equal 17.6 percent of all loans in Region 2 credit unions compared to 14.6 percent as of December 31, 1998.
- Other fixed-rate real estate loans increased at an annualized rate of 5.4 percent.

#### Annualized Real Estate Loan Growth Rates

January 1, 1999-June 30, 1999

	Region II	Nation
First Mortgage Fixed Rate	53.0%	24.6%
First Mortgage Adjust. Rate	4.2	3.5
Other Real Estate Loans	2.7	5.2
Total Real Estate Loans	23.0	14.2

- Total fixed-rate real estate loans equal 28.7 percent of all loans in Region II credit unions as of June 30, 1999. As of December 1998, fixed-rate real estate loans were 25.8 percent of loans.
- Real estate loans in Region II credit unions are 38.9 percent of all loans compared to 38.1 percent in all federally insured credit unions.
- Unsecured loans in Region II credit unions decreased at an annualized rate of 3.6 percent during the first six months of 1999. The rate of decline in all federally insured credit unions was 8.0 percent.

### Loan Portfolio Composition

June 30, 1999

	Region II	Nation
Real Estate Loans	38.9%	38.1%
Automobile Loans	32.1	39.4
Credit Card Loans	9.9	7.2
Other Unsecured Loans	13.2	8.6
All Other Loans	5.9	6.7

### Capital

- The composite capital to assets ratio for Region II credit unions decreased by 20 basis points between December 1998 and June 1999 to 11.3 percent. Total capital increased by 3.1 percent in six months, while assets increased by an annualized 9.9 percent. Credit unions, nationwide, also experienced a 20 basis point decrease in the capital to assets ratio between December 1998 and June 1999, bringing the nationwide capital to assets ratio to 11.3 percent.
- The composite net capital to assets ratios for Region II and nationally also decreased by 20 basis points between December 1998 and June 1999. The net capital ratios for both Region II and all credit unions in the nation were 10.7 percent as of June 30, 1999.

### Earnings

- Gross income in Region II credit unions increased 2.0 percent, but as a percentage of average assets, gross income declined from 8.1 percent in 1998 to 7.7 percent through June 30, 1999. Nationally, federally insured credit unions reported a decrease in the ratio of gross income to average assets from 8.2 percent to 7.8 percent.
- Operating expenses in Region II credit unions increased 3.6 percent during the first six months of 1999, but net operating expenses as a percentage of average assets declined from 2.7 percent to 2.6 percent.

- Provision for Loan Loss expenses decreased as a percentage of average assets both in Region II credit unions and nationwide. Provision for Loan Loss expense to average assets was 0.4 as of June 30, 1999 in Region II credit unions and 0.3 nationwide; down from 0.5 and 0.4, respectively.

### Liquidity

- Shares in Region II credit unions grew an annualized 10.6 percent during the first six months of 1999. The loan-to-share ratio continued to decrease and was 70.5 percent as of June 30, 1999.
- Excess funds are being invested in longer term investments. Investments with maturities of three-to-ten years increased 35.8 percent and investments with maturities over 10 years increased 8.9 percent.

### Trends in the Composition of Investments by Maturity

June 30, 1999

	<u>Region II</u>		<u>Nation</u>	
	1998	1999	1998	1999
Total Investments < 1 yr	63.2%	57.6%	62.2%	56.7%
Total Investments 1-3 yrs	20.2	21.9	21.3	23.3
Total Investments 3-10 yrs	12.5	16.2	12.5	15.9
Total Investments >10 yrs	4.1	4.3	4.1	4.1

Trading investments remained .8 percent of total investments in Region II. Region II credit unions have 75.6 percent of all trading investments in the nation.

### Composition of Investments by Classification

June 30, 1999

	<u>Region II</u>		<u>Nation</u>	
	1998	1999	1998	1999
Non-SFAS Investments	38.2%	37.9%	51.3%	48.8%
Available for Sale	27.1	28.8	24.7	26.2
Hold to Maturity	33.8	32.4	23.8	24.8
Trading	0.8	0.8	.15	.15

## UNDER \$5 MILLION IN ASSETS JUNE 30, 1999

### Lending

- Loans outstanding decreased by 0.9 percent, or 1.8 percent annualized, during the first six months of 1999. Nationally, loans in credit unions under \$5 million in assets increased by 20 basis points or .4 percent annualized. The ratio of loans to shares dropped from 69.9 percent as of December 1998 to 65.0 percent as of June 30, 1999, in Region II credit unions and from 74.0 percent to 70.0 percent in small credit unions, nationwide.
- Fixed-rate first mortgage loans decreased by an annualized 1.2 percent in credit unions with assets of less than \$5 million in Region II, compared with an increase of 3.6 percent in credit unions in this size group nationally.
- Adjustable-rate first mortgage loans decreased by an annualized 33.3 percent in Region II's small credit unions and 5.2 percent in small credit unions nationally.
- All other real estate loans decreased by 5.9 percent in Region II's small credit unions, but increased by 2.0 percent in credit unions under \$5 million nationally.

### Annualized Real Estate Loan Growth Rates

January 1, 1999-June 30, 1999

Credit Unions under \$5 Million in Assets

	<u>Region II</u>	<u>Nation</u>
First Mortgage Fixed Rate	-1.2%	3.6%
First Mortgage Adjust. Rate	-33.3	-5.2
Other Real Estate Loans	-5.9	2.0
Total Real Estate Loans	-6.2	2.2

- The ratio of real estate loans as a percentage of total loans in Region II's small credit unions dropped from 9.2 percent as of December 1998 to 8.9 percent as of June 30, 1999. Nationally the percentage of real estate loans

six months of 1999. Nationally, automobile loans in small credit unions increased by 3.8 percent with used automobile loans increasing 6.8 percent.

### **Loan Portfolio Composition**

June 30, 1999

Credit Unions Under \$5 Million in Assets

	<u>Region II</u>	<u>Nation</u>
Real Estate Loans	8.9%	6.1%
Automobile Loans	50.0	61.1
Credit Card Loans	1.4	1.5
Other Unsecured Loans	31.0	20.7
All Other Loans	8.7	10.7

### **Capital**

- The composite capital to assets ratio for Region II credit unions with assets of less than \$5 million decreased by 40 basis points during the first six months of 1999, bringing the capital to asset ratio to 15.2 percent. Total capital increased by 2.6 percent in six months, while assets increased by 5.8 percent. Small credit unions, nationwide, also experienced a 40 basis point decrease in capital during the same time period and also have a capital to assets ratio of 15.2 percent. Total capital increased by 2.0 percent while assets increased by 5.4 percent.
- The composite net capital to assets ratio for small credit unions both in Region II and nationwide decreased by 40 basis points between January 1 and June 30, 1999. The composite ratios are 13.8 and 14.1 percent respectively.

### **Earnings**

- Gross income of small credit unions in Region II decreased an annualized 3.2 percent for the six months period ending June 30, 1999, and as a percentage of assets, declined by 60 basis points. The composite gross income to total assets ratio was 7.6 percent as of June 30, 1999. Nationally, the gross income to assets ratio was 7.9 percent for this credit union size group.

- Operating expenses in Region II's small credit unions increased only an annualized 10 basis points during the six month period. Nationally, operating expenses increased an annualized 90 basis points for these small credit unions. Net operating expenses as a percentage of average assets decreased by 10 basis points to 3.4 percent for Region II and 3.6 percent nationally.
- The cost of funds to average assets ratio decreased by 20 basis points in small credit unions both in Region II and nationally. The composite cost of funds to average assets ratios were 2.9 percent and 3.0 percent respectively.
- The return on average assets for Region II credit unions with assets under \$5 million decreased from .9 percent in 1998 to .6 percent for the first six months of 1999. Nationally, the return on average assets dropped from .8 percent to .6 percent.
- Provision for Loan Loss expense decreased 10 basis points as a percentage of average assets both in Region II and nationwide for credit unions in this size group. Provision for Loan Loss expense to average assets was 0.5 percent in Region II and 0.4 percent nationally. Provision for Loan Loss expenses in these credit unions decreased an annualized 7.6 percent in Region II and 13.1 percent nationally.

### **Liquidity**

- Shares in small credit unions, both in Region II and nationwide, grew at an increased rate during this six month period. The annualized rate of increase in shares in Region II was 13 percent and nationally, it was 12 percent. These are compared to decreases during the last six months of 1998.
- Excess funds are being invested primarily in non-SFAS investments. Ninety two percent of investments in Region II credit unions with assets of less than \$5 million are in non-SFAS investments as of June 30, 1999. Nationally, 94 percent of investments in credit union of this size are in non-SFAS investments.

- Investments with maturities of less than one year increased by 17.8 percent in the first six months of 1999 in small Region II credit unions. The increase in short term investments in credit unions nationally, increased by 14.9 percent in the same period.

### **Trends in the Composition of Investments by Maturity**

Credit Unions under \$5 million in Assets

June 30, 1999

	<u>Region II</u>		<u>Nation</u>	
	1998	1999	1998	1999
Total Investments < 1 yr	86.2%	87.1%	87.2%	87.1%
Total Investments 1-3 yrs	7.2	6.7	6.2	6.0
Total Investments 3-10 yrs	3.8	3.7	3.8	4.2
Total Investments >10 yrs	2.8	2.5	2.8	2.6

- Net long term assets as a percentage of assets has decreased in credit unions in this size group. The decrease in Region II credit unions was 20 basis points to 7.0 percent. The decrease in other credit union in this size category was 10 basis points to 6.1 percent.
- The number of credit unions with assets of less than \$5 million in Region II as of June 30, 1999 was 858 compared to 914 as of December 1998, a decrease of 6.1 percent. Nationally, the number of credit unions in this size category decreased from 4,916 to 4,649, a 5.4 percent drop.